

# House Study Bill 549 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON EDUCATION BILL BY  
CHAIRPERSON JORGENSEN)

## A BILL FOR

1 An Act relating to education funding by extending the period of  
2 time for collecting sales tax for deposit in the secure an  
3 advanced vision for education fund, modifying allocations of  
4 state sales and use tax revenue, modifying uses for funding  
5 received from the secure an advanced vision for education  
6 fund, establishing a district equity supplement program,  
7 making appropriations, and including effective date and  
8 applicability provisions.  
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1. NEW SECTION.   257.16C   District equity supplement  
2   program — appropriation.

3     1. A district equity supplement program is established to  
4   provide additional funding for school districts with a regular  
5   program district cost per pupil that is less than the highest  
6   regular program district cost per pupil among all school  
7   districts in the state for the same budget year.

8     2. *a.* For the budget year beginning July 1, 2017, and  
9   each succeeding budget year, the department of management  
10  shall annually determine a statewide adjusted district cost  
11  per pupil not to exceed the statewide maximum district cost  
12  per pupil. The statewide adjusted district cost per pupil  
13  shall be annually determined, by taking into account amounts  
14  appropriated under subsection 3, for the purpose of providing  
15  district equity supplement aid for those school districts with  
16  the highest cost per pupil differential.

17   *b.* Each school district that satisfies the requirements of  
18  subsection 1 shall receive district equity supplement aid in  
19  an amount equal to the school district's budget enrollment for  
20  the budget year multiplied by the difference between the school  
21  district's regular program district cost per pupil for the  
22  budget year and the statewide adjusted district cost per pupil  
23  for the budget year.

24   *c.* For purposes of this section:

25     (1) "*Cost per pupil differential*" means the difference  
26   between a school district's regular program district cost per  
27   pupil and the statewide maximum district cost per pupil for the  
28   same budget year.

29     (2) "*Statewide maximum district cost per pupil*" means the  
30   highest regular program district cost per pupil among all  
31   school districts in the state.

32   3. *a.* A district equity supplement fund is created as a  
33   separate and distinct fund in the state treasury under the  
34   control of the department of management. Moneys in the fund  
35   include revenues credited to the fund, appropriations made

1 to the fund, and other moneys deposited into the fund. For  
2 each fiscal year beginning on or after July 1, 2017, there is  
3 appropriated annually all moneys in the fund to the department  
4 of management for purposes of making district equity supplement  
5 aid payments under this section, as calculated under subsection  
6 2.

7     **b.** If the balance of the fund exceeds the amount necessary  
8 to make all district equity supplement aid payments, moneys  
9 remaining in the fund at the end of a fiscal year shall be  
10 transferred to the secure an advanced vision for education fund  
11 and distributed to school districts on a per pupil basis under  
12 section 423F.3, subsection 3.

13     4. District equity supplement aid payments shall be paid by  
14 the department of education at the same time and in the same  
15 manner as foundation aid is paid under section 257.16, and may  
16 be included in the monthly payment of state aid under section  
17 257.16, subsection 2.

18     5. District equity supplement aid payments received under  
19 this section are miscellaneous income and shall be deposited  
20 in the general fund of the school district. However, the  
21 district equity supplement amount shall not be included in  
22 district cost. A district equity supplement under this section  
23 shall not affect the receipt or amount of a budget adjustment  
24 received under section 257.14.

25     6. **a.** Amounts received by a school district under  
26 this section shall be excluded from collective bargaining  
27 as provided in chapter 20 and shall be used solely for  
28 instructional expenditures and shall supplement, not  
29 supplant, existing school district funding for instructional  
30 expenditures.

31     **b.** (1) For purposes of this section, "*instructional*  
32 *expenditures*" means any of the following:

33         (a) Textbooks, as defined in section 301.1.

34         (b) Library books.

35         (c) Other instructional materials and equipment used

1 directly by students.

2 (2) "*Instructional expenditures*" does not include the  
3 salary, benefits, or other compensation of any school district  
4 employee.

5 Sec. 2. Section 257.15, subsection 4, paragraph b, Code  
6 2016, is amended to read as follows:

7 b. After lowering all school district adjusted additional  
8 property tax levy rates to the statewide maximum adjusted  
9 additional property tax levy rate under paragraph "a", the  
10 department of management shall use transfer any remaining funds  
11 at the end of the calendar year to ~~further lower additional~~  
12 ~~property taxes by increasing for the budget year beginning the~~  
13 ~~following July 1, the state foundation base percentage the~~  
14 district equity supplement fund created in section 257.16C.  
15 ~~Moneys used pursuant to this paragraph shall supplant an equal~~  
16 ~~amount of the appropriation made from the general fund of the~~  
17 ~~state pursuant to section 257.16 that represents the increase~~  
18 ~~in state foundation aid.~~

19 Sec. 3. Section 423.2, subsection 11, paragraph b,  
20 subparagraph (3), Code 2016, is amended by striking the  
21 subparagraph and inserting in lieu thereof the following:

22 (3) (a) Of the one-sixth of the remaining revenues:

23 (i) Transfer to the secure an advanced vision for  
24 education fund created in section 423F.2, an amount not to  
25 exceed the product of the statewide budget enrollment for  
26 the current school budget year multiplied by the per pupil  
27 amount distributed to school districts under section 423F.2,  
28 subsection 3, for the fiscal year beginning July 1, 2016.

29 (ii) Following the transfer under subparagraph subdivision  
30 (i), transfer one-half of the remaining amount to the property  
31 tax equity and relief fund created in section 257.16A.

32 (iii) The amount remaining after the transfers under  
33 subparagraph subdivisions (i) and (ii), shall be transferred to  
34 the district equity supplement fund created in section 257.16C.

35 (b) This subparagraph (3) is repealed January 1, 2050.

1     Sec. 4. Section 423.2, subsection 14, Code 2016, is amended  
2 to read as follows:

3     14. The sales tax rate of six percent is reduced to five  
4 percent beginning on January 1, 2030 2050.

5     Sec. 5. Section 423.5, subsection 5, Code 2016, is amended  
6 to read as follows:

7     5. The use tax rate of six percent is reduced to five  
8 percent beginning on January 1, 2030 2050.

9     Sec. 6. Section 423.43, subsection 1, paragraph b, Code  
10 2016, is amended to read as follows:

11     b. Subsequent to the deposit into the general fund of  
12 the state and after the transfer of such revenues collected  
13 under chapter 423B, the department shall transfer one-sixth  
14 of such remaining revenues to the secure an advanced vision  
15 for education fund created in section 423F.2, the property tax  
16 equity relief fund created in section 257.16A, and the district  
17 equity supplement fund created in section 257.16C, in amounts  
18 proportionate to the transfers to such funds under section  
19 423.2, subsection 11, paragraph "b", subparagraph (3). This  
20 paragraph is repealed ~~December 31, 2029~~ January 1, 2050.

21     Sec. 7. Section 423F.1, Code 2016, is amended to read as  
22 follows:

23     **423F.1 Legislative intent.**

24     It is the intent of the general assembly that the increase  
25 in the state sales, services, and use taxes under chapter 423,  
26 subchapters II and III, from five percent to six percent on  
27 July 1, 2008, shall be used solely for purposes of providing  
28 revenues to local school districts under this chapter and  
29 chapter 257 to be used solely for school infrastructure  
30 purposes, or school district property tax relief, or to address  
31 school funding inequities.

32     Sec. 8. Section 423F.3, subsection 6, paragraph a, Code  
33 2016, is amended to read as follows:

34     a. For purposes of this chapter, "*school infrastructure*"  
35 means those activities authorized in section 423E.1, subsection

1 3, Code 2007, excluding the construction, reconstruction,  
2 repair, demolition, purchase, or remodeling of a stadium unless  
3 such stadium-related activity is specifically included in a  
4 revenue purpose statement approved by the electors on or before  
5 July 1, 2016.

6 Sec. 9. Section 423F.3, subsection 6, Code 2016, is amended  
7 by adding the following new paragraph:

8 NEW PARAGRAPH. *Od.* For school budget years beginning on  
9 or after July 1, 2017, "*school infrastructure*" includes the  
10 payment of school district transportation costs not to exceed  
11 an amount equal to the district's actual enrollment for the  
12 school budget year multiplied by the difference between the  
13 district's average transportation costs per pupil and the state  
14 average transportation costs per pupil for the school year, as  
15 determined under section 257.31, subsection 17, paragraph "c".

16 Sec. 10. Section 423F.6, Code 2016, is amended to read as  
17 follows:

18 **423F.6 Repeal.**

19 This chapter is repealed ~~December 31, 2029~~ effective January  
20 1, 2050.

21 Sec. 11. EFFECTIVE DATE. The following provisions of this  
22 Act take effect July 1, 2017:

23 1. The section of this Act amending section 423.2,  
24 subsection 11, paragraph "b", subparagraph (3).

25 2. The section of this Act amending section 423.43,  
26 subsection 1, paragraph "b".

27 Sec. 12. APPLICABILITY. The following provisions of this  
28 Act apply to fiscal years beginning on or after July 1, 2017:

29 1. The section of this Act amending section 423.2,  
30 subsection 11, paragraph "b", subparagraph (3).

31 2. The section of this Act amending section 423.43,  
32 subsection 1, paragraph "b".

33 EXPLANATION

34 The inclusion of this explanation does not constitute agreement with  
35 the explanation's substance by the members of the general assembly.

1 This bill relates to education funding by extending the  
2 period of time for collecting sales tax for deposit in the  
3 secure an advanced vision for education (SAVE) fund, modifying  
4 allocations of state sales and use tax revenue, modifying uses  
5 for funding received from the SAVE fund, and establishing a  
6 district equity supplement program.

7 Code section 423.2 imposes a state tax of 6 percent upon  
8 the sales price of all sales of tangible personal property,  
9 consisting of goods, wares, merchandise, and other items  
10 designated by statute, sold at retail in the state to  
11 consumers, except as otherwise provided by Code chapter 423.  
12 Generally, by operation of law, a sale subject to the sales  
13 tax is also subject to the use tax. Following the transfer  
14 of amounts required for the natural resources and outdoor  
15 recreation trust fund, one-sixth of the remaining state sales  
16 tax revenue from the 6 percent tax is transferred to the SAVE  
17 fund created in Code section 423F.2. Moneys in the SAVE fund  
18 are allocated to school districts on a per pupil basis to be  
19 used for specified infrastructure and property tax reduction  
20 purposes. Under current law, the sales tax rate of 6 percent  
21 is reduced to 5 percent on January 1, 2030, and Code chapter  
22 423F, along with other corresponding provisions, is repealed  
23 December 31, 2029.

24 The bill extends the 6 percent sales tax rate and the  
25 statutory repeal of Code chapter 423F until January 1, 2050.  
26 In addition, the bill modifies the allocation and transfer  
27 of sales and use tax revenues currently transferred to  
28 the SAVE fund. Of the one-sixth of the remaining revenues  
29 following statutorily required transfers, the bill requires  
30 the following: (1) a transfer to the SAVE fund in an amount  
31 not to exceed the product of the statewide budget enrollment  
32 for the current school budget year multiplied by the per pupil  
33 amount distributed to school districts from the SAVE fund for  
34 the fiscal year beginning July 1, 2016; (2) following the  
35 transfer to the SAVE fund, a transfer of one-half of the amount

1 remaining to the property tax equity and relief (PTER) fund;  
2 and (3) after the first two transfers, a transfer of the amount  
3 remaining to the district equity supplement fund created in the  
4 bill.

5 Under current law, moneys in the PTER fund are used to  
6 provide property tax relief by lowering the adjusted additional  
7 property tax levy rates for schools to the statewide maximum  
8 adjusted additional property tax levy rate. After lowering  
9 all school district adjusted additional property tax levy  
10 rates to the statewide maximum adjusted additional property  
11 tax levy rate, the department of management is required to  
12 use any remaining funds at the end of the calendar year to  
13 further lower additional property taxes by increasing for the  
14 next budget year, the state foundation base percentage. The  
15 bill strikes the provision providing for the increase in the  
16 state foundation base percentage and instead provides that  
17 after lowering all school district adjusted additional property  
18 tax levy rates to the statewide maximum adjusted additional  
19 property tax levy rate, the department of management shall  
20 transfer any remaining funds to the district equity supplement  
21 fund created in the bill.

22 The bill establishes a district equity supplement program to  
23 provide additional funding for school districts with a regular  
24 program district cost per pupil that is less than the highest  
25 regular program district cost per pupil among all school  
26 districts in the state for the same budget year. For the  
27 budget year beginning July 1, 2017, and each succeeding budget  
28 year, the department of management shall annually determine  
29 a statewide adjusted district cost per pupil not to exceed  
30 the statewide maximum district cost per pupil. The statewide  
31 adjusted district cost per pupil shall be annually determined,  
32 by taking into account amounts appropriated from the district  
33 equity supplement fund, for the purpose of providing district  
34 equity supplement aid for those school districts with the  
35 highest cost per pupil differential.



1 Each eligible district shall receive district equity  
2 supplement aid in an amount equal to the school district's  
3 budget enrollment for the budget year multiplied by the  
4 difference between the school's regular program district cost  
5 per pupil for the budget year and the statewide adjusted  
6 district cost per pupil for the budget year. The bill defines  
7 "cost per pupil differential" and "statewide maximum district  
8 cost per pupil".

9 The bill creates a district equity supplement fund under  
10 the control of the department of management and appropriates  
11 annually all moneys in the fund to the department of management  
12 for purposes of making district equity supplement aid payments.  
13 If the balance of the fund exceeds the amount necessary to make  
14 all district equity supplement aid payments, moneys remaining  
15 in the fund at the end of a fiscal year shall be transferred  
16 to the SAVE fund and distributed to school districts on a  
17 per pupil basis under Code section 423F.3(3). The bill also  
18 establishes the timing and procedure for making district equity  
19 supplement aid payments.

20 District equity supplement aid payments received are  
21 considered miscellaneous income, shall not be included in  
22 district cost, and shall not affect the receipt or amount of  
23 a budget adjustment received under Code section 257.14. The  
24 bill also requires district equity supplement amounts received  
25 by a school district to be excluded from collective bargaining  
26 and requires such amounts to be used solely for instructional  
27 expenditures, as defined in the bill, and to supplement, not  
28 supplant, existing school district funding for instructional  
29 expenditures.

30 As part of the restrictions on the use of revenues  
31 received from the SAVE fund, Code section 423F.3 defines  
32 "school infrastructure" to mean, in part, those activities  
33 authorized in Code section 423E.1(3), Code 2007, which  
34 includes the construction, reconstruction, repair, demolition,  
35 purchase, or remodeling of a stadium. The bill excludes such

1 stadium-related activities unless specifically included in a  
2 revenue purpose statement approved by the electors on or before  
3 July 1, 2016.

4 The bill authorizes school districts to use SAVE fund  
5 revenues for the payment of school district transportation  
6 costs if the district's average transportation costs per pupil  
7 exceed the state average transportation costs per pupil.  
8 Such use of SAVE funds may not exceed an amount equal to the  
9 district's actual enrollment for the school year multiplied by  
10 the difference between the district's average transportation  
11 costs per pupil and the state average transportation costs per  
12 pupil for the school year.

13 Code section 423F.3, subsection 7, provides that the  
14 general assembly shall not alter the purposes for which the  
15 revenues received under Code section 423F.3 may be used from  
16 infrastructure and property tax relief purposes to any other  
17 purpose unless the bill is approved by a vote of at least  
18 two-thirds of the members of both chambers of the general  
19 assembly and is signed by the governor.

20 The sections of the bill amending the sales and use tax  
21 allocation and transfer provisions of Code sections 423.2 and  
22 423.43 take effect July 1, 2017, and apply to fiscal years  
23 beginning on or after that date.